

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
NEW SHARON, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2005

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NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Carrie Ferguson	President	2006
Jimmah White	Vice President	2004
Mike Bair	Board Member	2004
Duane White	Board Member	2005
Mike Boyle	Board Member	(Appointed) 2004
<u>Board of Education</u>		
(After September 2004 Election)		
Jimmah White	President	2007
Mike Bair	Vice President	2007
Duane White	Board Member	2005
Carrie Ferguson	Board Member	2006
Mike Boyle	Board Member	2007
<u>School Officials</u>		
Randy Moffit	Superintendent	2005
Gloria Bartlett	District Secretary/Treasurer	2005
Sue Seitz	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
North Mahaska Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of North Mahaska Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of North Mahaska Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 2, 2005 on our consideration of North Mahaska Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 15 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Mahaska Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
September 2, 2005

North Mahaska Community School District

Management's Discussion and Analysis

For the Year Ending June 30, 2005

This section of the North Mahaska Community School District's financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2005. The analysis focuses on school district financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- The General Fund June 30, 2005, fund balance increased to \$549,041 from the June 30, 2004, fund balance of \$508,141. The increase resulted from making up the state's 2.25% across the board cut from the previous year through the cash reserve levy.
- The District's tax levy increased by \$1.35 from \$11.68 to \$13.03. The increase in the tax levy was due to the use of the cash reserve levy to make up the 2.25% state cut. In addition, surplus SILO funds were used to lower the tax rate the previous year.
- Special education posted a deficit for 2004-2005 of \$53,358. This was due to increased costs and the level and number of special education students.
- The District experienced an enrollment increase of 6 students over the previous year. Coupled with 4% allowable growth, the district did not need to utilize the budget guarantee as it had in previous years.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (district-wide and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The statement of net assets and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long- term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

District-Wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those provided by private sector companies. The statement of net assets includes all of the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's overall financial position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one internal service fund, the medical reimbursement fund.
- **Fiduciary funds:** The District is the trustee, of fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Assets.

Figure A-3 below provides a summary of the District's net assets for the year ending June 30, 2005 as compared to June 30, 2004.

Figure A-3

	2004 Governmental Activities	2004 Business-Type Activities	2004 Total	2005 Governmental Activities	2005 Business-Type Activities	2005 Total	Total Change 2004-2005
Current and Other Assets	2,925,060	38,393	2,963,453	3,084,897	36,115	3,121,012	5.3%
Capital Assets	4,972,599	50,943	5,023,542	4,902,244	42,283	4,944,527	-1.6%
Total Assets	7,897,659	89,336	7,986,995	7,987,141	78,398	8,065,539	1.0%
Long Term Debt Outstanding	3,050,000	0	3,050,000	2,783,116	0	2,783,116	-8.8%
Other Liabilities	1,716,051	1,170	1,717,221	1,669,689	0	1,669,689	-2.8%
Total Liabilities	4,766,051	1,170	4,767,221	4,452,805	0	4,452,805	-6.6%
Net Assets							
Invested In Capital Assets, Net of related debt	1,922,599	50,943	1,973,542	2,137,244	42,283	2,179,527	10.4%
Restricted	700,868	0	700,868	867,819	0	867,819	23.8%
Unrestricted	508,141	37,223	545,364	529,273	36,115	565,388	3.7%
Total Net Assets	3,131,608	88,166	3,219,774	3,534,336	78,398	3,612,734	12.2%

The District's total net assets increased \$392,960 or 12.2% due to the fact that the District is basically maintaining its capital assets (1.6% decrease) while significantly decreasing its long term debt (8.8% decrease). The District has used local option sales tax collections for both capital asset improvements and to help reduce the District's debt.

Figure A-4

Figure A-4 shows the change in net assets for the year ended June 30, 2005, as compared to June 30, 2004.

	2004	2004	2004	2005	2005	2005
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
Revenues						
Program revenues:						
Charges for services	449,279	98,932	548,211	459,720	113,174	572,894
Operating grants, contributions & restricted interest	493,724	87,839	581,563	508,616	87,827	596,443
Capital grants, contributions and restricted interest	0	0	0	0	0	0
General revenues:						
Property Tax	1,794,077	0	1,794,077	1,796,367	0	1,796,367
Local option sales & service tax	437,529	0	437,529	451,765	0	451,765
Unrestricted state grants	1,650,475	0	1,650,475	1,809,227	0	1,809,227
Unrestricted investment earnings	21,609	137	21,746	26,082	748	26,830
Other	2,195	0	2,195	1,086	0	1,086
Total Revenues	4,848,888	186,908	5,035,796	5,052,863	201,749	5,254,612
Program Expenses:						
Governmental activities						
Instruction	2,937,530	0	2,937,530	3,028,868	0	3,028,868
Support Services	1,171,872	0	1,171,872	1,183,430	0	1,183,430
Non-instructional	5,000	207,833	212,833	6,575	211,517	218,092
Other expenses	432,121	0	432,121	431,262	0	431,262
Total Expenses	4,546,523	207,833	4,754,356	4,650,135	211,517	4,861,652
Change in net assets	302,365	(20,925)	281,440	402,728	(9,768)	392,960

For the year ending June 30, 2005, property tax and unrestricted state grants account for 69% of the total revenue. Instruction and support services account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,052,863 and expenses were \$4,650,135. Following a budget year with a 2.25% state cut, the District saw an increase in total net assets of \$402,728. The increase was due to the recovery of lost funding through the cash reserve levy, maintaining capital asset levels while debt balances have decreased, and the collection of local option sales and service tax monies which increased current assets.

Business Type Activities

Revenues for business type activities were \$201,749 and expenses were \$211,517. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal, and state reimbursements and investment income.

During the 2004-2005 school year, the District increased meal prices for the first time in seven years. The increase did not cover the rising expenses in the School Nutrition Fund. The district may want to consider raising prices again.

Individual Fund Analysis

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,435,028 which is \$204,699 more than the balance of \$1,230,329 at the beginning of the year.

The individual fund analysis basically goes through each of the major school funds and tries to put in simple terms where they are and where we may want to go with them during the coming year. Please keep in mind that it is a snap shot picture of finances on June 30 of each year. The figures represent our modified accrual position on June 30, 2004, compared with where we were on June 30, 2005. You can find these figures in the June reports on expenditures, revenues, and fund balances. North Mahaska Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

General Operating Fund

In the General Fund, we had revenues of \$4,020,765 and other financing sources of \$500. We had expenditures of \$3,980,365. Therefore, we ended the year \$40,900 in the black. We started the year with a balance of \$508,141, so we ended the year with a balance of \$549,041. The increase was due predominantly to a cash reserve levy that replaced funds lost from the 2.25% state cut the previous year.

Management Fund

In the Management Fund, we expended \$72,628 and had revenues of \$60,370 meaning we spent \$12,258 more than we received. Because we started the year with \$40,368, we ended the year with a balance of \$28,110. Approximately \$80,000 will be added to this fund through the Management Levy passed for this year's budget. This is an increase over past years to cover the rising cost of insurance and to make up for the ag land roll back. Money from this fund is spent on insurance (other than employee health) and unemployment claims. The balance in this account covers most of the insurance premiums that occur early in the school year, but it will go in the red until October tax receipts arrive.

Physical Plant and Equipment Levy (PPEL)

In PPEL we expended \$25,760 and received \$45,632 meaning we were \$19,872 in the black. Since we started the year with \$36,637, we finished with a balance of \$56,509. We will continue to use PPEL to purchase school buses and small vehicles.

Capital Projects

We started the year with a balance of \$535,483 in all capital projects funds. We have expended \$493,987 on various projects and on debt service. We have received \$458,135 during the past year. The balance is now \$499,631 (a decrease of \$35,852). The decrease is due to expenditures of local option sales and service tax monies for debt service and buildings and grounds projects

Activity Fund

The activity fund is a conglomerate of many different minor funds from athletics and music to class treasuries. The fund is in good condition over all. The beginning balance last July was \$73,270. At the end of June, it was \$91,050. The balance can fluctuate quite a bit depending on what projects are going on and when money is being paid out. This is not a fund in which you are trying to make money, but you like to keep a healthy balance to cover cash flow during the year. Most of the accounts are revolving in nature in that organizations use them for their activities. In the athletic part of the budget, some sports ran in the red, but others ran in the black. However, the athletic fund, when taking all sports in consideration, finished in the black. There were some successful fund raisers and some good attendance this past year that helped maintain a good balance.

Proprietary Fund Highlights

Nutrition Fund

The nutrition fund started the year with a balance of \$88,166. Revenues for the year totaled \$201,749 while expenditures totaled \$211,517 leaving a balance of \$78,398. Both revenues and expenditures were up from last year. This account has been doing well and supporting itself, but continues to lose money each year. The decrease in balance is due mainly to the increasing cost associated with running the nutrition program and the low prices being charged for lunches and breakfasts.

Budgetary Highlights

The District's receipts were \$125,448 more than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving more in local option sales tax than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Capital Assets

At June 30, 2005, the District had invested \$4,944,527, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$191,748.

The original cost of the District's capital assets was \$7,250,287. Of this amount \$165,918 was in the Proprietary, School Lunch Fund.

Long-Term Debt

At June 30, 2005, the District had \$2,765,000 in general obligation bonds. This represents a decrease of approximately 8% from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Factors Bearing on the District's Future

The district remains in sound financial condition at this point. The one cent option sales tax (SILO) will continue to be a big help for many projects. The general fund status improved due to an increase in enrollment and greater allowable growth (4%) for the past year. Concerns still exist because of the uncertain status of the state, the rising costs of insurance, and predicted decreasing enrollment. However, we have had at least a temporary reprieve from tightening budgets, and the general fund carry over is still healthy for a district of our size and budget.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gloria Bartlett, Board Secretary, or Randy Moffit, Superintendent, North Mahaska Community School, P.O. Box 89, New Sharon, Iowa 50207.

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Basic Financial Statements

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,347,104	\$ 32,625	\$ 1,379,729
Receivables:			
Property tax:			
Current year	24,458	-	24,458
Succeeding year	1,589,820	-	1,589,820
Accrued interest	1,578	-	1,578
Accounts	463	-	463
Due from other governments	121,474	-	121,474
Inventories	-	3,490	3,490
Capital assets, net of accumulated depreciation (note 4)	4,902,244	42,283	4,944,527
Total assets	7,987,141	78,398	8,065,539
Liabilities			
Accounts payable	20,632	-	20,632
Salaries and benefits payable	23,092	-	23,092
Due to other governments	16,325	-	16,325
Accrued interest payable	19,820	-	19,820
Deferred revenue:			
Succeeding year property tax	1,589,820	-	1,589,820
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	285,000	-	285,000
Compensated absences	18,116	-	18,116
Portion due after one year:			
Bonds payable	2,480,000	-	2,480,000
Total liabilities	4,452,805	-	4,452,805

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 2,137,244	\$ 42,283	\$ 2,179,527
Restricted for:			
Management levy	28,110	-	28,110
Physical plant and equipment levy	56,509	-	56,509
Other special revenue purposes	91,050	-	91,050
Debt service	190,867	-	190,867
Capital projects	499,631	-	499,631
State grants	1,652	-	1,652
Unrestricted	529,273	36,115	565,388
Total net assets	\$ 3,534,336	\$ 78,398	\$ 3,612,734

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,903,977	\$ 163,383	\$ 186,249	\$ -
Special instruction	488,209	26,270	148,334	-
Other instruction	636,682	269,113	4,912	-
	<u>3,028,868</u>	<u>458,766</u>	<u>339,495</u>	<u>-</u>
Support services:				
Student services	105,674	-	-	-
Instructional staff services	45,525	-	-	-
Administration services	444,885	-	-	-
Operation and maintenance of plant services	322,132	954	-	-
Transportation services	265,214	-	15,781	-
	<u>1,183,430</u>	<u>954</u>	<u>15,781</u>	<u>-</u>
Non-instructional programs	<u>6,575</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	20,734	-	-	-
Long-term debt interest and fiscal charges	124,998	-	-	-
AEA flowthrough	153,340	-	153,340	-
Depreciation (unallocated) *	132,190	-	-	-
	<u>431,262</u>	<u>-</u>	<u>153,340</u>	<u>-</u>
Total governmental activities	4,650,135	459,720	508,616	-
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>211,517</u>	<u>113,174</u>	<u>87,827</u>	<u>-</u>
Total	\$ <u>4,861,652</u>	\$ <u>572,894</u>	\$ <u>596,443</u>	\$ <u>-</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,554,345)	\$ -	\$ (1,554,345)
(313,605)	-	(313,605)
(362,657)	-	(362,657)
(2,230,607)	-	(2,230,607)
(105,674)	-	(105,674)
(45,525)	-	(45,525)
(444,885)	-	(444,885)
(321,178)	-	(321,178)
(249,433)	-	(249,433)
(1,166,695)	-	(1,166,695)
(6,575)	-	(6,575)
(20,734)	-	(20,734)
(124,998)	-	(124,998)
-	-	-
(132,190)	-	(132,190)
(277,922)	-	(277,922)
(3,681,799)	-	(3,681,799)
-	(10,516)	(10,516)
(3,681,799)	(10,516)	(3,692,315)

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ 1,554,938	\$ -	\$ 1,554,938
195,921	-	195,921
45,508	-	45,508
451,765	-	451,765
1,809,227	-	1,809,227
26,082	748	26,830
1,086	-	1,086
<u>4,084,527</u>	<u>748</u>	<u>4,085,275</u>
402,728	(9,768)	392,960
<u>3,131,608</u>	<u>88,166</u>	<u>3,219,774</u>
<u>\$ 3,534,336</u>	<u>\$ 78,398</u>	<u>\$ 3,612,734</u>

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and pooled investments	\$ 511,569	\$ 208,020	\$ 452,162	\$ 175,353	\$ 1,347,104
Receivables:					
Property tax:					
Current year	20,356	2,667	-	1,435	24,458
Succeeding year	1,346,436	129,335	-	114,049	1,589,820
Accrued interest	1,578	-	-	-	1,578
Accounts	463	-	-	-	463
Due from other governments	70,549	-	50,925	-	121,474
Total assets	<u>\$ 1,950,951</u>	<u>\$ 340,022</u>	<u>\$ 503,087</u>	<u>\$ 290,837</u>	<u>\$ 3,084,897</u>

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 16,057	\$ -	\$ 3,456	\$ 1,119	\$ 20,632
Salaries and benefits payable	23,092	-	-	-	23,092
Due to other governments	16,325	-	-	-	16,325
Deferred revenue:					
Succeeding year property tax	1,346,436	129,335	-	114,049	1,589,820
Total liabilities	<u>1,401,910</u>	<u>129,335</u>	<u>3,456</u>	<u>115,168</u>	<u>1,649,869</u>
Fund balance:					
Reserved for:					
State grants	1,652	-	-	-	1,652
Debt service	-	210,687	-	-	210,687
Unreserved:					
Designated for cash flow	180,000	-	-	-	180,000
Reported in nonmajor Special Revenue Funds	-	-	-	175,669	175,669
Undesignated	367,389	-	499,631	-	867,020
Total fund balances	<u>549,041</u>	<u>210,687</u>	<u>499,631</u>	<u>175,669</u>	<u>1,435,028</u>
Total liabilities and fund balances	<u>\$ 1,950,951</u>	<u>\$ 340,022</u>	<u>\$ 503,087</u>	<u>\$ 290,837</u>	<u>\$ 3,084,897</u>

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances of governmental funds	\$ 1,435,028
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,902,244
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(19,820)
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Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,783,116)</u>
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Net assets of governmental activities	<u><u>\$ 3,534,336</u></u>
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See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,494,165	\$ 195,797	\$ 451,765	\$ 105,264	\$ 2,246,991
Tuition	152,012	-	-	-	152,012
Other	56,034	794	6,370	271,417	334,615
State sources	2,136,278	124	-	67	2,136,469
Federal sources	182,276	-	-	-	182,276
Total revenues	4,020,765	196,715	458,135	376,748	5,052,363
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,888,277	-	-	14,650	1,902,927
Special instruction	488,209	-	-	-	488,209
Other instruction	373,505	-	-	252,966	626,471
	2,749,991	-	-	267,616	3,017,607
Support services:					
Student services	105,324	-	-	350	105,674
Instructional staff services	45,175	-	-	350	45,525
Administration services	426,002	-	-	9,100	435,102
Operation and maintenance of plant services	287,769	-	-	26,095	313,864
Transportation services	212,189	-	-	41,843	254,032
	1,076,459	-	-	77,738	1,154,197
Non-instructional programs	575	-	-	6,000	6,575
Other expenditures:					
Facilities acquisition	-	-	104,947	-	104,947
Long term debt:					
Principal	-	285,000	-	-	285,000
Interest and fiscal charges	-	126,498	-	-	126,498
AEA flowthrough	153,340	-	-	-	153,340
	153,340	411,498	104,947	-	669,785
Total expenditures	3,980,365	411,498	104,947	351,354	4,848,164
Excess (deficiency) of revenues over (under) expenditures	40,400	(214,783)	353,188	25,394	204,199

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):					
Sale of equipment	\$ 500	\$ -	\$ -	\$ -	500
Interfund transfers in (note 3)	-	389,040	-	-	389,040
Interfund transfers out (note 3)	-	-	(389,040)	-	(389,040)
Total other financing sources (uses)	500	389,040	(389,040)	-	500
Net change in fund balances	40,900	174,257	(35,852)	25,394	204,699
Fund balances beginning of year	508,141	36,430	535,483	150,275	1,230,329
Fund balances end of year	\$ <u>549,041</u>	\$ <u>210,687</u>	\$ <u>499,631</u>	\$ <u>175,669</u>	\$ <u>1,435,028</u>

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 204,699

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$	112,733	
Depreciation expense		<u>(183,088)</u>	(70,355)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 285,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,500

Some expenses reported in the statement of activities, including compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (18,116)

Change in net assets of governmental activities \$ 402,728

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2005

	Enterprise - School Nutrition	Internal Service- Cafeteria Benefits
Assets		
Cash and cash equivalents	\$ 32,625	\$ 1,538
Inventories	3,490	-
Capital assets, net of accumulated depreciation	<u>42,283</u>	<u>-</u>
Total assets	<u>78,398</u>	<u>1,538</u>
Liabilities		
None	<u>-</u>	<u>-</u>
Net Assets		
Invested in capital assets	42,283	-
Unrestricted	<u>36,115</u>	<u>1,538</u>
Total net assets	<u>\$ 78,398</u>	<u>\$ 1,538</u>

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Enterprise - School Nutrition	Internal Service- Cafeteria Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 113,174	\$ 29,780
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	71,467	-
Benefits	35,852	-
Purchased services	2,600	-
Supplies	92,938	-
Depreciation	8,660	-
Other	-	29,518
	<u>211,517</u>	<u>29,518</u>
Operating income (loss)	<u>(98,343)</u>	<u>262</u>
Non-operating revenues:		
Interest on investments	748	-
State sources	3,224	-
Federal sources	84,603	-
Total non-operating revenues	<u>88,575</u>	<u>-</u>
Change in net assets	(9,768)	262
Net assets beginning of year	<u>88,166</u>	<u>1,276</u>
Net assets end of year	<u>\$ 78,398</u>	<u>\$ 1,538</u>

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Enterprise - School Nutrition	Internal Service- Cafeteria Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 108,966	\$ -
Cash received from miscellaneous operating activities	4,208	29,780
Cash payments to employees for services	(107,319)	-
Cash payments to suppliers for goods or services	<u>(84,237)</u>	<u>(29,518)</u>
Net cash provided by (used in) operating activities	<u>(78,382)</u>	<u>262</u>
Cash flows from non-capital financing activities:		
State grants received	3,224	-
Federal grants received	<u>70,448</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>73,672</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>748</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(3,962)	262
Cash and cash equivalents beginning of year	<u>36,587</u>	<u>1,276</u>
Cash and cash equivalents end of year	<u>\$ 32,625</u>	<u>\$ 1,538</u>

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	Enterprise - School Nutrition	Internal Service- Cafeteria Benefits
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (98,343)	\$ 262
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	8,660	-
Commodities used	14,155	-
(Increase) in inventories	(1,684)	-
(Decrease) in accounts payable	(1,170)	-
Net cash provided by (used in) operating activities	\$ <u>(78,382)</u>	\$ <u>262</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$14,155 of federal commodities.

See notes to financial statements.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2005

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>264,526</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>264,526</u></u>
See notes to financial statements.	

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2005

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 550	
Interest	<u>9,499</u>	
Total additions	<u>10,049</u>	
Deductions:		
Support services:		
Scholarships awarded		9,700
Transfers to fiscal agent		<u>12,000</u>
Total deductions		<u>21,700</u>
Change in net assets		(11,651)
Net assets beginning of year		<u>276,177</u>
Net assets end of year		<u>\$ 264,526</u>
See notes to financial statements.		

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

North Mahaska Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New Sharon, Iowa, and the agricultural territory in Mahaska and Poweshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Mahaska Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. North Mahaska Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service, Cafeteria Benefits Fund is used to account for the cafeteria benefits program offered by the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for hourly employees, which are payable in July, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The District has also designated a portion of its fund balance for cash flow.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2. Cash and Pooled Investments (continued)

The District's investments at June 30, 2005 are as follows:

<u>Type</u>	<u>Amortized Cost/ Fair Value</u>
Iowa Schools Joint Investment Trust - Diversified Portfolio	\$ 772,077
Money Market Mutual Fund	13,089
Government Securities Mutual Funds	<u>249,887</u>
	<u>\$ 1,035,053</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The money market mutual fund and government securities mutual funds are stated at fair value.

Interest rate risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust, money market mutual fund, and government securities mutual funds were rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>389,040</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 95,250	\$ -	\$ -	\$ 95,250
Construction in progress	-	49,739	-	49,739
Total capital assets not being depreciated	<u>95,250</u>	<u>49,739</u>	<u>-</u>	<u>144,989</u>
Capital assets being depreciated:				
Buildings	5,474,821	5,892	-	5,480,713
Improvements other than buildings	572,593	28,582	-	601,175
Furniture and equipment	857,508	28,520	28,536	857,492
Total capital assets being depreciated	<u>6,904,922</u>	<u>62,994</u>	<u>28,536</u>	<u>6,939,380</u>
Less accumulated depreciation for:				
Buildings	1,067,974	112,231	-	1,180,205
Improvements other than buildings	374,358	22,075	-	396,433
Furniture and equipment	585,241	48,782	28,536	605,487
Total accumulated depreciation	<u>2,027,573</u>	<u>183,088</u>	<u>28,536</u>	<u>2,182,125</u>
Total capital assets being depreciated, net	<u>4,877,349</u>	<u>(120,094)</u>	<u>-</u>	<u>4,757,255</u>
Governmental activities capital assets, net	<u>\$ 4,972,599</u>	<u>\$ (70,355)</u>	<u>\$ -</u>	<u>\$ 4,902,244</u>

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 165,918	\$ -	\$ -	\$ 165,918
Less accumulated depreciation	114,975	8,660	-	123,635
Business-type activities capital assets, net	<u>\$ 50,943</u>	<u>\$ (8,660)</u>	<u>\$ -</u>	<u>\$ 42,283</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

 Instruction:

 Regular

\$ 3,810

 Other

10,211

 Support services:

 Operation and maintenance of plant services

2,837

 Transportation

34,040

50,898

Unallocated depreciation

132,190

Total governmental activities depreciation expense

\$ 183,088

Business-type activities:

 Food service operations

\$ 8,660

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Bonds	Compensated Absences	Total
Balance beginning of year	\$ 3,050,000	\$ -	\$ 3,050,000
Additions	-	18,116	18,116
Reductions	285,000	-	285,000
Balance end of year	<u>\$ 2,765,000</u>	<u>\$ 18,116</u>	<u>\$ 2,783,116</u>
Due within one year	<u>\$ 285,000</u>	<u>\$ 18,116</u>	<u>\$ 303,116</u>

Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 285,000	\$ 116,613	\$ 401,613
2007	295,000	106,472	401,472
2008	305,000	94,975	399,975
2009	320,000	82,364	402,364
2010	330,000	68,381	398,381
2011	345,000	53,667	398,667
2012	355,000	37,941	392,941
2013	100,000	24,530	124,530
2014	100,000	19,855	119,855
2015	110,000	14,960	124,960
2016	110,000	9,598	119,598
2017	110,000	4,125	114,125
	<u>\$ 2,765,000</u>	<u>\$ 633,481</u>	<u>\$ 3,398,481</u>

During the year ended June 30, 2005, the District retired \$285,000 of bonds.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 6. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Assets. The agreement provides for monthly payments of \$1,910 during the term of the lease.

The total annual lease payments under the lease agreement are as follows:

<u>Year Ending June 30,</u>	<u>Copiers</u>
2006	\$ 22,920
2007	<u>13,370</u>
	<u>\$ 36,290</u>

Total payments under the lease agreement for the year ended June 30, 2005 were \$22,920.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$141,059, \$140,868, and \$142,891 respectively, equal to the required contributions for each year.

Note 8. Risk Management

North Mahaska Community School District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 8. Risk Management (continued)

In July 2004, ISEBA converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2005 were \$446,820.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw.

North Mahaska Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$153,340 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into a contract totaling \$145,000 for a new bus barn. At June 30, 2005 \$49,739 of the contract was completed. The remaining amount of the contract will be paid as work on the project progresses.

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Required Supplementary Information

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 2,742,014	\$ 113,922	\$ 2,855,936	\$ 2,717,534	\$ 138,402
State sources	2,135,482	3,224	2,138,706	2,161,763	(23,057)
Federal sources	172,310	84,603	256,913	246,810	10,103
Total receipts	5,049,806	201,749	5,251,555	5,126,107	125,448
DISBURSEMENTS:					
Instruction	3,004,470	-	3,004,470	3,232,695	228,225
Support services	1,168,029	-	1,168,029	1,243,758	75,729
Non-instructional programs	6,575	205,711	212,286	215,200	2,914
Other expenditures	666,478	-	666,478	949,418	282,940
Total disbursements	4,845,552	205,711	5,051,263	5,641,071	589,808
Excess (deficiency) of receipts over (under) disbursements	204,254	(3,962)	200,292	(514,964)	715,256
Other financing sources, net	500	-	500	-	500
Excess (deficiency) of receipts and other financing sources over (under) disbursements	204,754	(3,962)	200,792	(514,964)	715,756
Balance beginning of year	1,142,350	36,587	1,178,937	1,351,304	(172,367)
Balance end of year	\$ 1,347,104	\$ 32,625	\$ 1,379,729	\$ 836,340	\$ 543,389

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2005

Governmental Funds			
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 5,049,806	\$ 2,557	\$ 5,052,363
Expenditures	4,845,552	2,612	4,848,164
Net	204,254	(55)	204,199
Other financing sources (uses)	500	-	500
Beginning fund balances	1,142,350	87,979	1,230,329
Ending fund balances	<u>\$ 1,347,104</u>	<u>\$ 87,924</u>	<u>\$ 1,435,028</u>
Proprietary Fund			
	Cash Basis	Enterprise Accrual Adjust- ments	Accrual Basis
Revenues	\$ 201,749	\$ -	\$ 201,749
Expenses	205,711	5,806	211,517
Net	(3,962)	(5,806)	(9,768)
Beginning net assets	36,587	51,579	88,166
Ending net assets	<u>\$ 32,625</u>	<u>\$ 45,773</u>	<u>\$ 78,398</u>

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Other Supplementary Information

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 27,295	\$ 92,169	\$ 55,889	\$ 175,353
Receivables:				
Property tax:				
Current year	815	-	620	1,435
Succeeding year	72,653	-	41,396	114,049
Total assets	<u>\$ 100,763</u>	<u>\$ 92,169</u>	<u>\$ 97,905</u>	<u>\$ 290,837</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 1,119	\$ -	\$ 1,119
Deferred revenue:				
Succeeding year property tax	72,653	-	41,396	114,049
Total liabilities	<u>72,653</u>	<u>1,119</u>	<u>41,396</u>	<u>115,168</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>28,110</u>	<u>91,050</u>	<u>56,509</u>	<u>175,669</u>
Total liabilities and fund equity	<u>\$ 100,763</u>	<u>\$ 92,169</u>	<u>\$ 97,905</u>	<u>\$ 290,837</u>

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

	Special Revenue			
	Management	Student	Physical	
	Levy	Activity	Plant and	
			Equipment	Total
			Levy	
Revenues:				
Local sources:				
Local tax	\$ 59,785	\$ -	\$ 45,479	\$ 105,264
Other	547	270,746	124	271,417
State sources	38	-	29	67
Total revenues	60,370	270,746	45,632	376,748
Expenditures:				
Current:				
Instruction:				
Regular instruction	14,650	-	-	14,650
Other instruction	-	252,966	-	252,966
Support services:				
Student services	350	-	-	350
Instructional staff services	350	-	-	350
Administration services	9,100	-	-	9,100
Operation and maintenance of				
plant services	26,095	-	-	26,095
Transportation services	16,083	-	25,760	41,843
Non instructional programs	6,000	-	-	6,000
Total expenditures	72,628	252,966	25,760	351,354
Excess (deficiency) of revenues over				
(under) expenditures	(12,258)	17,780	19,872	25,394
Fund balances beginning of year	40,368	73,270	36,637	150,275
Fund balances end of year	\$ 28,110	\$ 91,050	\$ 56,509	\$ 175,669

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Change	\$ -	\$ 600	\$ 600	\$ -
Speech	761	230	57	934
Vocal	3,469	1,603	1,865	3,207
Instrumental	386	3,627	4,359	(346)
Flags	111	-	-	111
Music Resale - Elem.	100	834	856	78
Cleaning	4,416	1,868	3,040	3,244
Annual	(122)	5,586	5,592	(128)
FFA	(1,212)	31,122	25,152	4,758
Student Council	2,074	1,520	1,111	2,483
Interest	1,476	1,633	400	2,709
Pictures	741	415	563	593
Prom Party	600	7,595	6,958	1,237
Miscellaneous	931	570	572	929
School Fund/Concessions	-	21,589	21,861	(272)
National Honor Society	196	345	262	279
Volleyball/Coach	445	345	294	496
Football/Coach	1,142	1,510	1,192	1,460
Wrestling/Coach	874	345	-	1,219
Girls Basketball/Coach	1,335	115	160	1,290
Boys Basketball/Coach	576	460	518	518
B/G Golf/Coach	651	230	30	851
Girls Track/Coach	844	394	279	959
Boys Track/Coach	581	230	373	438
Graduates	-	12	12	-
Seniors	11	20,282	20,276	17
Juniors	2,013	9,658	9,486	2,185
Sophmores	555	744	555	744
Freshmen	529	635	529	635
8th Grade	428	365	428	365
7th Grade	180	182	180	182
Elem. Miscellaneous	10,786	20,907	19,603	12,090
Outdoor Classroom	1,682	-	205	1,477
Elem. Science Club	480	870	500	850
Elem. Pop	143	1,642	1,642	143
Elem. Basketball	776	340	452	664
Pop	5,197	7,909	7,113	5,993
Miscellaneous Athletics	19,611	107,174	101,321	25,464
Cheerleaders	2,002	3,548	4,456	1,094
Lock	65	5	-	70
Softball Concessions	3,889	6,433	4,822	5,500

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Baseball Concessions	\$ 4,293	\$ 6,514	\$ 4,482	\$ 6,325
Student Trainers	255	760	810	205
Total	\$ <u>73,270</u>	\$ <u>270,746</u>	\$ <u>252,966</u>	\$ <u>91,050</u>

See accompanying independent auditor's report.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,246,991	\$ 2,230,456	\$ 2,246,711	\$ 1,944,152
Tuition	152,012	165,222	165,503	178,179
Other	334,615	306,186	328,707	290,672
State sources	2,136,469	1,986,351	2,110,772	1,898,744
Federal sources	182,276	158,670	145,474	100,551
Total revenues	<u>\$ 5,052,363</u>	<u>\$ 4,846,885</u>	<u>\$ 4,997,167</u>	<u>\$ 4,412,298</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,902,927	\$ 1,906,729	\$ 1,871,558	\$ 1,752,525
Special instruction	488,209	506,763	485,392	417,896
Other instruction	626,471	508,171	550,928	510,316
Support services:				
Student services	105,674	103,027	99,394	104,834
Instructional staff services	45,525	45,545	53,845	75,141
Administration services	435,102	445,836	456,026	429,074
Operation and maintenance of plant services	313,864	315,983	297,915	276,320
Transportation services	254,032	355,296	222,324	195,469
Non-instructional programs	6,575	5,000	3,632	4,108
Other expenditures:				
Facilities acquisition	104,947	122,873	103,566	60,097
Long-term debt:				
Principal	285,000	265,000	245,000	145,000
Interest and fiscal charges	126,498	134,523	153,808	246,325
AEA flowthrough	153,340	155,455	166,524	164,205
Total expenditures	<u>\$ 4,848,164</u>	<u>\$ 4,870,201</u>	<u>\$ 4,709,912</u>	<u>\$ 4,381,310</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
North Mahaska Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Mahaska Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Mahaska Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 and I-B-05 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Mahaska Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about North Mahaska Community School District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Mahaska Community School District and other parties to whom North Mahaska Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Mahaska Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
September 2, 2005

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, posting of the cash receipts to the cash receipts journal, signing of checks, recording of disbursements, and preparing the bank reconciliation were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – Our limited number of business office employees does not allow us to completely segregate duties, however, we will investigate available alternatives and implement where possible.

Conclusion – Response accepted.

I-B-05 Bank Reconciliations – We noted that bank reconciliations for the Special Revenue, Student Activity Fund were being completed up to ten months behind the applicable month and were not reconciled to the general ledger. Also the School Nutrition Fund bank reconciliations were not reconciled to the general ledger. We noted \$17,925 of unrecorded checks in the School Nutrition Fund. An adjusting journal entry has been made to record these checks.

Recommendation – All bank accounts should be reconciled and tied to the general ledger as soon as possible after receiving the bank statement. This allows the District to timely detect errors or omissions and more accurately monitor inflows and outflows.

Response – Bank reconciliations for all accounts will be done monthly and tied to the general ledger in the future.

Conclusion – Response accepted.

I-C-05 Disbursements – Out of forty disbursements tested, one was not supported by an invoice or receipt at the time of payment.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the disbursement being made.

Response – We will make sure that future disbursements are properly supported.

Conclusion – Response accepted.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- I-D-05 Gate Admissions – The athletic event gate admissions and change box were not reconciled with prenumbered tickets.

Recommendation – The District should establish reconciliation procedures for gate admissions. The reconciliations should include the issuance of prenumbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response – We will review our procedures regarding athletic event admissions and change our procedures as we deem necessary.

Conclusion – Response accepted.

- I-E-05 Fundraisers – Supporting documentation for fundraiser income is being kept by individual activity club sponsors. There are no set procedures in place to review this information for completeness and accuracy other than review by the activity sponsor, who is also responsible for the initial collection of fundraising income.

Recommendation – The District should develop some type of summary form and procedures which would include reviewing supporting documentation for fundraisers in order to account for the completeness and accuracy of revenues recorded. For example, you could have the activity sponsor summarize budgeted, expected, and actual results on a spreadsheet which can be compared to actual fundraising receipts recorded once the fundraiser is completed. Any revenues short or long can then be explained on the form. This form should be reviewed and initialed by either the Activity Director, Principal, or Secretary as applicable. Whoever is reviewing these fundraiser summary forms should also verify in detail the information on a couple of forms each year. This can be done by tracing the information on the form to the supporting documentation kept by the activity sponsor i.e. sales sheets, order forms, etc. We realize verifying every fundraiser would be time consuming so not every fundraiser needs to be verified in detail. Checking a few each year will let the activity sponsors realize that someone may be reviewing their records.

Response – We will review our procedures regarding fundraising activities and change our procedures as we deem necessary.

Conclusion – Response accepted.

NORTH MAHASKA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.
- II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-05 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

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